Agenda – Executive Policy Committee – December 11, 2013

Report – Alternate Service Delivery Committee – December 6, 2013

Item No. 1 Winnipeg Fleet Management Special Operating Agency – 2014 Business Plan

COMMITTEE RECOMMENDATION:

On December 6, 2013, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the 2014 Business Plan for Winnipeg Fleet Management – Special Operating Agency including the 2014 budget be approved, and the 2015 and 2016 financial projections, as outlined in Appendix A, be received as information.

2. That annual long-term borrowing authority, used to finance fleet acquisitions, of up to $10.1 million in 2014 be approved, in accordance with subsection 215 (4) of The City of Winnipeg Charter with respect to Special Service Units, and authorization be given to Winnipeg Fleet Management – Special Operating Agency to finance a portion of its operations through external sources, including from The City's bank, or from any other persons or corporations, including The City of Winnipeg Sinking Fund Trustees.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Agenda – Executive Policy Committee – December 11, 2013

Report – Alternate Service Delivery Committee – December 6, 2013

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On December 6, 2013, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Winnipeg Fleet Management – Special Operating Agency – 2014 Business Plan**

Critical Path: **Alternate Service Delivery Committee – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
C. Turman	A/COO WFMA D. Konowich	M. Ruta	D. Joshi COO

RECOMMENDATIONS

1. That the 2014 Business Plan for Winnipeg Fleet Management – Special Operating Agency including the 2014 budget be approved and the 2015 and 2016 financial projections be received as information, as outlined in Appendix A.
2. That annual long-term borrowing authority, used to finance fleet acquisitions, of up to $10.1 million in 2014 be approved in accordance with subsection 215 (4) of The City of Winnipeg Charter with respect to Special Service Units, and authorization be given to Winnipeg Fleet Management – Special Operating Agency to finance a portion of its operations through external sources, including from The City's bank, or from any other persons or corporations, including The City of Winnipeg Sinking Fund Trustees.
3. That the Proper Officers of The City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

REASON FOR THE REPORT

A Business Plan is provided to Council in accordance with the Winnipeg Fleet Management Agency Operating Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

Repair and maintenance service capacity will be expanded during 2013, through a leasing arrangement with the Planning Property and Development Department for a 20,500 square foot repair facility at The City's East Yards complex.

With additional capacity available at the East Yards repair facility, a portion of vendor repair service will be converted to in-house repair service.

Winnipeg Fleet Management Agency will transfer $2.75 million to The City of Winnipeg - General Revenue Fund as a dividend during 2013, consistent with The City of Winnipeg 2013 – 2015 Adopted Operating Budget.

During 2014, Winnipeg Fleet Management Agency will transfer $1.75 million to The City of Winnipeg – General Revenue Fund, representing a dividend.

A fully integrated Automatic Vehicle Location System will be acquired by the Winnipeg Fleet Management Agency during 2014, in collaboration with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department.

The Winnipeg Fleet Management Agency's Tecumseh repair facility, manufacturing facility, and head office are projected to be relocated during 2016, to a new 50,000 square foot facility through a leasing arrangement with the Planning, Property and Development Department.

HISTORY

On March 25, 1998, Council adopted the Policy and Framework for Alternate Service Delivery, which recommended that certain services be studied as potential candidates for service delivery outside of the departmental structure of government.

During 1999, the Public Works Department conducted a feasibility study of alternate service delivery options for those services provided by the Equipment and Material Services Division. The report was presented in June 2000 and it recommended that the Equipment and Material Services Division become a Special Operating Agency.

On October 18, 2000, Council approved the Alternate Service Delivery Committee's feasibility study recommendation that Administration produce a Business Plan and Operating Charter to convert the Equipment and Material Services Division to a Special Operating Agency. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

- The Special Operating Agency maintain the existing dedicated customer base for a period of three years;
- The Special Operating Agency assume ownership of the fleet of its current customers;
- The Special Operating Agency have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
- The Special Operating Agency has the authority to increase its customer base.

On May 28, 2003, Winnipeg Fleet Management Agency received Council approval to operate as a Special Operating Agency of The City of Winnipeg, effective January 1, 2003.

FINANCIAL IMPACT

Financial Impact Statement

Date: September 18, 2013

Project Name:

Winnipeg Fleet Management - Special Operating Agency - 2014 Business Plan

First Year of Program: 2014

	2014	2015	2016	2017	2018
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: See Appendix A - 1, for the 2014 to 2016 projected financial statements and notes.

Cheryl Turman, CA

Controller
Winnipeg Fleet Management Agency

CONSULTATION

In preparing this report there was consultation with:

- Assessment and Taxation Department
- Community Services Department
- Corporate Finance Department
- Corporate Support Services Department
- Planning, Property and Development Department
- Public Works Department
- Water and Waste Department
- Winnipeg Fire Paramedic Service Department
- Winnipeg Parking Authority – Special Operating Agency
- Winnipeg Police Service Department

SUBMITTED BY

Department: Winnipeg Fleet Management Agency
Division
Prepared by: Cheryl Turman, CA
Date: September 18, 2013
File No.

APPENDIX A

THE CITY OF WINNIPEG –
FLEET MANAGEMENT –
SPECIAL OPERATING AGENCY

BUSINESS PLAN

2014

Strategic Overview

Winnipeg Fleet Management Agency was established in 2003 as a Special Operating Agency, a Special Service Unit of The City of Winnipeg, delivering services and operating within The City's organization.

The Special Operating Agency concept permits the Agency to operate in a business-like and transparent manner through managerial flexibilities including special delegations, exemptions and authorities.

The Agency's strategic direction, as set out by its Operating Charter, Business Plan, and Annual Report, places emphasis on managing for results, bottom-line accountability, customer satisfaction, and full disclosure.

Mission

To provide economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public sector organizations, in support of their service delivery.

Vision

To become the best public sector fleet services provider in Canada.

Values

Accountability
Commitment to excellence
Fairness
Respect
Trust

Guiding Principles

Quality service to The City of Winnipeg and other public sector customers
Safety for employees and customers
Financial accountability and sustainability

Mandate

To provide efficient and effective fleet, manufacturing and equipment management services to civic departments and other public organizations.

Service Goals

Procure planned and demanded fleet vehicles and equipment to ensure City departments' operational performance requirements and safety legislative requirements are met.

Strategies:

- Review the optimal replacement point, to ensure new vehicles and equipment are replaced at the end of their useful life, and determine the potential for conversion of replaced older units to internal rentals for departments' seasonal and short-term use.
- Provide recommendations to departments for vehicle and equipment types, equipment sharing opportunities, Green Fleet Plan targets, and document conflicting results.
- Develop sound and innovative contractual and partnering agreements, and promote vehicle and equipment supply opportunities to existing and potential vendors.
- Create a fleet replacement planning, reporting, and billing data base with a link to the current fleet management software in conjunction with the Corporate Support Services Department.
- Expand vehicle and equipment trial and testing to include import models, and ensure technologies and products will be cost-effective and meet operational demands.
- Identify safety legislative requirements and operator training requirements.
- Review available options for fleet vehicle and equipment disposals, including local and national auction markets.

Maintain fleet service centres that provide superior customer service and support to The City's geographically dispersed and varying fleet, while ensuring reliability and safety.

Strategies:

- Identify repair and maintenance services for conversion from vendor repair service to in-house repair service and/or in-house repair to vendor service repair, with the additional capacity available at the East Yards facility.
- Continue to review staffing levels and positions within the Agency in conjunction with Corporate Human Resources, and identify further efficiencies.
- Enhance repair service through the implementation of state-of-the-art shop improvement initiatives, and partnering arrangements for developing a pool of licensed mechanics.
- Create a repair service reporting and billing data base with a link to the current fleet management software in conjunction with the Corporate Support Services Department.
- Maintain communications through regular customer meetings and website, and assist City departments with their fleet related decision making process.
- Monitor and ensure compliance with Manitoba's Workplace Safety and Health Act and associated regulations at Agency facilities and offices.
- Review the potential for implementation of the Agency's fleet management system in the Winnipeg Police Service Department and Transit Department, and expand repair services to the Winnipeg Fire Paramedic Service Department.

Manage The City's fuel distribution system on a day-to-day and emergency basis, providing a safe, dependable and convenient fuel supply, while ensuring compliance with legislation.

Strategies:

- Provide competitively priced re-fuelling for vehicles and equipment at fuel sites strategically located across the City.
- Automate and standardize fuel site information system communications, and limit fuel draws by vehicle.
- Ensure ongoing compliance with existing safety legislative requirements related to fuel site operations.
- Create a fuel service reporting and billing data base with a link to the current fleet management software in conjunction with the Corporate Support Services Department.
- Consolidate the Water and Waste Department's fuel operations at the Railway Services site, and investigate potential for construction of a new fuel site at The City's East Yards complex, at 960 Thomas Avenue.
- Guarantee fuel supply to The City during states of emergency.

Implement the City's Green Fleet Plan and offer environmental programs.

Strategies:

- Monitor and report on vehicle and equipment accidents and damages through the Vehicle Safety Program.
- Document department fuel efficiency results, and implement a fully integrated Automatic Vehicle Location System for The City's fleet, in conjunction with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department, to further improve fuel efficiency.
- Execute the strategies of The City's Green Fleet Plan aimed at reducing city-wide fuel use and emissions, and report on the Plan's effectiveness for City department initiatives, Agency initiatives and collaborative efforts.
- Assess opportunities for greening the workplace, and ensure environmental criteria are considered for the procurement of office, shop and fuel equipment, repair service centre construction and betterment, and office renovation projects.
- Consider the potential for implementation of a bicycle service program, as a means of transportation for City employees.

Service Lines

The Agency provides comprehensive fleet vehicle and specialty equipment management services to City of Winnipeg departments through the following service lines:

- Acquisition
- Leasing
- Disposal
- Repair and maintenance
- Fuel
- Manufacturing and fabrication
- Insurance, licensing and registration
- Rentals
- Accident management and operator training

In addition, the Agency provides fuel and manufacturing services to other public sector organizations.

Accident management and operator training service is outsourced to the Public Works Department, to provide service to all City departments, excluding the Transit Department.

Policy Direction

Winnipeg Fleet Management Agency is a Special Operating Agency of The City of Winnipeg, and abides by The City's collective agreements and by-laws. The Agency has its own Operating Charter approved by Council.

The City of Winnipeg Charter, Section 215, references the establishment and powers of Special Service Units.

The Agency follows provincial regulations associated with the Environment Act, the Contaminated Sites Remediation Act, Workplace Safety and Health Act, and the Employment Standards Code.

Performance Measurements

Agency effectiveness measurements include overall customer satisfaction, and mechanic productivity. Efficiency measurements include fuel efficiency by category, and operating costs by category.

Overall Customer Satisfaction

The Agency conducted a customer survey during 2013, which indicated that 85% of customers were satisfied with 2012 fleet management services.

CUSTOMER SATISFACTION	2010	2011	2012
Satisfaction rate	78%	75%	85%

Mechanic Productivity

The Agency's mechanic productivity statistics are based on total work order hours divided by adjusted hours, with adjusted hours including annual hours less vacation, sick, and training hours.

MECHANIC PRODUCTIVITY	2010	2011	2012
Productivity rate	77%	78%	79%

Fuel Efficiency by Category

Fuel Efficiency for The City by Fleet Category

Fuel efficiency is reported for The City, excluding the Transit Department, by light vehicles, in litres per 100 kilometres, and by heavy vehicles and specialty equipment, in litres per hour.

FUEL EFFICIENCY FOR THE CITY BY FLEET CATEGORY	2010	2011	2012
Light vehicles (in litres per 100 kilometres)	20.2	20.8	20.9
Heavy vehicles (in litres per hour)	8.0	7.6	7.3
Specialty equipment (in litres per hour)	7.7	7.9	6.7

Fuel Efficiency for Light Vehicles by City Department – Division

Fuel efficiency is presented for light vehicles by City department – division, excluding the Transit Department, in litres per 100 kilometres.

FUEL EFFICIENCY FOR LIGHT VEHICLES BY CITY DEPARTMENT – DIVISION *(in litres per 100 kilometres)*	**2010**	**2011**	**2012**
Assessment and Taxation Department	11.6	11.0	10.5
Corporate Support Services Department	21.7	20.6	22.0
Winnipeg Fire Paramedic Service Department	20.1	20.9	19.6
Winnipeg Fleet Management – Special Operating Agency	20.5	21.5	20.9
Planning, Property and Development Department	20.0	20.6	23.4
Winnipeg Parking Authority – Special Operating Agency (Note 1)	11.0	10.6	22.5
Public Works Department – Engineering	19.9	19.4	16.7
Public Works Department – Parks & Open Space	23.0	24.0	25.3
Public Works Department – Streets Maintenance	22.0	23.5	26.4
Public Works Department – Traffic Signals	32.0	33.1	27.8
Public Works Department – Transportation Signals	24.4	23.9	21.9
Winnipeg Police Service Department	19.7	20.4	21.2
Water and Waste Department – Engineering	18.4	17.3	18.5
Water and Waste Department – Environmental Standards	14.2	12.4	12.7
Water and Waste Department – Solid Waste	20.8	22.0	22.5
Water and Waste Department – Wastewater	22.3	21.6	23.1
Water and Waste Department – Water Services	21.4	21.7	22.3

Note 1
During 2012, certain units were reclassified to the Winnipeg Parking Authority – Special Operating Agency from the Planning, Property and Development Department.

The Agency provides monthly fuel information to departments on individual fleet units, including litres of fuel, kilometres driven, and hours operated. The capability to monitor engine idle time and the opportunity to further improve fuel efficiency will be available to departments with implementation of an Automatic Vehicle Location (AVL) system. See Appendix A – 2 for information on the AVL system.

Operating Costs by Category

City of Winnipeg Operating Costs by Fleet Category

City of Winnipeg operating costs, excluding the Transit Department, Winnipeg Police Service Department, and Winnipeg Fire Paramedic Service Department, are presented by fleet category, excluding off-road vehicles, as defined by Ontario Municipal Benchmarking Initiative on a per kilometre basis, with the following components:

- Fuel is determined based on litres consumed by City departments, at Agency selling price.
- Repairs performed in-house by the Agency are determined based on labour hours at Agency shop labour rates, and parts at Agency cost with markup.
- Vendor repairs are based on Agency cost with markup.
- Odometer hours are converted to kilometres according to fleet classification, with a range from 18 kilometres per hour to 30 kilometres per hour.

CITY OF WINNIPEG OPERATING COSTS BY FLEET CATEGORY *(in dollars per kilometre)*	**2010**	**2011**	**2012**
Light vehicles	n/a	.35	.40
Medium vehicles	n/a	.76	.93
Heavy vehicles and specialty equipment	1.06	1.15	1.53

Winnipeg Fleet Management Agency Operating Costs by Fleet Category

Agency operating costs, excluding services provided to the Transit Department, Winnipeg Police Service Department and Winnipeg Fire Paramedic Service Department, are estimated and presented by fleet category, excluding off-road vehicles, as defined by Ontario Municipal Benchmarking Initiative on a per kilometre basis, with the following components:

- Fuel is determined based on litres consumed by City departments, at 90% of Agency selling price.
- Repairs performed in-house by the Agency are determined based on labour hours at 60% of Agency shop labour rates, and parts at Agency cost.
- Vendor repairs are based on Agency cost.
- Odometer hours are converted to kilometres according to fleet classification, with a range from 18 kilometres per hour to 30 kilometres per hour.

AGENCY OPERATING COSTS BY FLEET CATEGORY *(in dollars per kilometre)*	**2011**	**2012**
Light vehicles	.28	.33
Medium vehicles	.59	.72
Heavy vehicles and specialty equipment	.88	1.17

Assumptions to the Projected Financial Statements and Notes

The projected financial statements include management's best estimates of future financial performance, and incorporate the financial implications of the Agency's goals and strategies. The financial projections are estimates of the financial position, operations and accumulated surplus, cash flows, and net financial liabilities using management's assumptions that reflect the Agency's planned course of action for the three years ending December 31, 2016.

Management's judgment has been used in the assumptions, with the most probable set of economic conditions. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections, and the variations may be material.

The financial forecast and projections are based on actual 2012 results of operations with two percent annual inflationary increases, except where otherwise described in the notes to projected financial statements, or as noted in these assumptions.

The 2014 to 2016 Projected Financial Statements and Notes are presented in Appendix A – 1. The 2012 Auditors' Report and Financial Statements are presented in Appendix A – 3.

Revenues

Fleet Leases

Fleet leases revenue is derived from the Agency's June 27, 2012 fleet replacement plan, with current unit types and quantities assigned to City departments, and includes the following:

- Fleet leases operating revenue is determined based on actual repair history by type classification and usage level, with an annual inflation factor.
- Fleet leases capital revenue reflects capital and financing costs, with lease terms and residual values based on lifecycle cost management principles.

Services and Parts Revenue

Consumables and corrective maintenance revenue is increased by $170,000 in 2013 and thereafter, due to the consolidation of the remaining fleet maintenance operations performed at the Water and Waste Department's Plinguet location, and conversion of vendor repair service to in-house repair service.

Gain on Sale of Tangible Capital Assets

The gain on sale of tangible capital assets is based on estimated auction sales.

Expenses

Amortization

Tangible capital assets are amortized on the basis of cost less approximate residual value over estimated useful lives using the following rates and methods:

- Buildings; 4% to 8% straight-line
- Fleet assets – acquired at start-up; 30% declining balance
- Fleet assets – purchased; 1 to 15 years straight-line
- Equipment; 3% to 30% straight-line

Fleet assets amortization expense is based on the Agency's June 27, 2012 fleet replacement plan.

Supplies

Parts expense is increased by $100 thousand in 2013 and thereafter due to on-going conversion of vendor repair service to in-house repair service.

Fuel expense is determined from annual projected fuel sales net of a 10% markup.

Computer software expense is based on estimated requirements.

Salaries and Employee Benefits

Salaries and employee benefits expense for 2014 to 2016 is based on collective agreements, with 121 full-time equivalent positions and five temporary employees as follows:

- CUPE permanent employees; 97
- WAPSO permanent employees; 22
- CUPE Exempt permanent employee; one
- WAPSO Exempt permanent employee; one
- CUPE temporary employees; five

Pension, group insurance, dental, vision, and employment insurance benefits are projected at 17% of salaries.

The increase of three permanent CUPE employees, comparing 2013 full-time equivalent positions reported in the 2013 Adopted Business Plan (Selection Report) to 2014 full-time equivalent positions reported in the 2014 Business Plan (Selection Report), is due to additional staffing requirements for a new repair facility located at The City's East Yards complex, and includes one light fleet mechanic, one store keeper, and one utility D.

The increase of one permanent CUPE employee, comparing 2014 full-time equivalent positions reported in the 2013 Adopted Business Plan (Selection Report) to 2014 full-time equivalent positions reported in the 2014 Business Plan (Selection Report), represents one utility D for the new repair facility at The City's East Yards complex.

During October 2012, four full-time equivalent CUPE mechanic positions were transferred to the Agency from the Water and Waste Department, due to the consolidation of the remaining fleet maintenance operations performed at the Water and Waste Department's Plinguet location.

Services

Consulting and professional services expense is based on estimated project requirements.

Allocated department costs include the following transfers to The City of Winnipeg – General Revenue Fund for services provided by The City to the Agency:

- $675 thousand in 2013 with inflation thereafter, for operator training and accident management service, outsourced by the Agency to the Public Works Department, to provide service to all City departments, excluding the Transit Department.
- $75 thousand in 2012, and $nil in 2013 and thereafter for business technology services, reclassified to other expense based on information provided by the Corporate Support Services Department.
- $94 thousand in 2012, and $nil in 2013 and thereafter for human resource services, reclassified to other expense based on information provided by the Corporate Support Services Department.

External long-term lease expense is based on current long-term lease agreements.

Maintenance expense is increased by $20 thousand in 2014 and thereafter for shop equipment, due to expansion at the East Yards repair facility.

Vendor repairs expense is reduced by $100 thousand in 2013, and by $150 thousand in 2014 and thereafter, resulting from conversion of a portion of vendor repair service to in-house repair service.

Interest

Debt interest expense is based on current loan agreements for existing long-term debt, and estimated long-term borrowing rates for new term loans.

Due to The City of Winnipeg – General Revenue Fund (line of credit) interest expense is based on estimated short-term borrowing rates.

Other

Other expense includes power tools, other equipment, provincial payroll tax, miscellaneous, accretion, and transfers to The City of Winnipeg.

Miscellaneous expense includes the following:

- A reduction of $32 thousand in 2012 for a decrease in environmental liability and other liabilities due to the decommissioning of the Agency's underground waste oil storage tank site property, and two petroleum tank systems.
- $180 thousand in 2014 and thereafter representing East Yards new repair facility contingency costs.
- $400 thousand in 2016 representing half year all-inclusive lease and other costs for a 50,000 square foot repair facility, manufacturing facility and head office, to be developed by the Planning Property and Development Department, for the relocation of the Agency's Tecumseh repair and manufacturing facilities and head office.

Accretion expense is $nil for 2013 and thereafter, as asset retirement obligations for Agency managed fuel sites have been settled during 2012.

Transfer to The City of Winnipeg – Municipal Accommodations Fund expense includes the following transfers for services provided by The City to the Agency:

- $194 thousand annually for Waverley repair facility and office lease costs, based on information provided by the Planning, Property and Development Department.
- $290 thousand in 2013 for East Yards new repair facility and office lease costs, based on information provided by the Planning, Property and Development Department, and $400 thousand annually thereafter.
- $5 thousand annually for call answer service.

Transfer to The City of Winnipeg – General Revenue Fund expense includes the following:

1) Transfers to The City of Winnipeg for services provided by The City to the Agency:
    - $77 thousand in 2013, and $78 thousand in 2014 and thereafter for business technology service, reclassified from services expense in 2013 based on information provided by the Corporate Support Services Department.
    - $94 thousand annually for human resource service, reclassified from services expense in 2013 based on information provided by the Corporate Support Services Department.
2) Transfers to The City of Winnipeg where the Agency does not receive goods or services from The City directly in return:
    - $14 thousand in 2013 to 2016 representing Agency employee productivity for server consolidation based on information provided by the Corporate Finance Department.
    - $41 thousand in 2013 to 2016 representing Agency employee productivity for timekeeping based on information provided by the Corporate Finance Department.
    - $8 thousand in 2013 to 2016 representing reduced pricing on information system products not acquired by the Agency, based on information provided by the Corporate Finance Department.
    - All transfers to The City where the Agency does not receive goods or services from The City directly in return will cease after 2016.

Transfer to The City of Winnipeg – Dividend

Transfer to The City of Winnipeg – dividend expense is $2,750 thousand for 2013, based on The City of Winnipeg's 2013 – 2015 Adopted Operating Budget which contains a $2,750 thousand Fleet dividend. The Fleet dividend was established after the Agency's 2013 Business Plan (Selection Report) was adopted by Council, and consequently the dividend expense was not included in the Agency's 2013 to 2015 projected financial statements and notes.

Transfer to The City of Winnipeg – dividend expense is $1,750 thousand for 2014 based on information provided by the Corporate Finance Department.

Beginning in fiscal 2010 with the adoption of Canadian Public Sector Accounting Standards, dividend transfers are disclosed as expense, and reported on a separate line in the Statement of Operations and Accumulated Surplus (see Appendix A – 1). Prior to fiscal 2010, dividends were deducted from Retained Earnings, in accordance with Canadian Generally Accepted Accounting Principles.

Transfers to The City where the Agency does not receive any goods or services from The City directly in return are disclosed by the Agency as dividends. Eligible dividends are distributed based on City policy, in accordance with the Agency's 2007 Adopted Business Plan (Selection Report), Operating Charter Section 5.10 Revision.

Liabilities

Debt and Due to/from The City of Winnipeg – General Revenue Fund (line of credit)

Debt includes the following:

- Debt – term loans are payable to external lenders of unsecured term loans, and used by the Agency to finance fleet acquisitions.
- Debt – The City of Winnipeg is payable to The City, and held on behalf of City departments for communications equipment purchases.

Due to/from The City of Winnipeg – General Revenue Fund operates as the Agency's line of credit, and is used as bridge financing between the time when cash is needed and when term financing is arranged. The Agency repays the December 31st due to The City of Winnipeg – General Revenue Fund balance upon receipt of term loans during the following year.

Debt and due to The City of Winnipeg – General Revenue Fund (line of credit) are disclosed in the Projected Statement of Financial Position in Appendix A – 1, based on the following:

DEBT AND DUE TO THE CITY OF WINNIPEG – GENERAL REVENUE FUND *(in thousands of dollars)*	**2013**	**2014**	**2015**	**2016**
Debt – term loans opening (Note 1)	47,073	**36,854**	45,158	50,298
Proceeds from term loans (Note 2)	-	**18,700**	16,000	14,800
Repayment of term loans (Note 3)	(10,219)	**(10,396)**	(10,860)	(10,393)
Debt – term loans	36,854	**45,158**	50,298	54,705
Debt – The City of Winnipeg (Note 4)	178	**178**	178	178
Total debt	37,032	**45,336**	50,476	54,883
Due to The City of Winnipeg – General Revenue Fund (line of credit)	18,692	**16,007**	14,788	6,910
Debt and Due to The City of Winnipeg – General Revenue Fund (line of credit)	55,724	**61,343**	65,264	61,793

Note 1
Debt – term loans opening 2013 is based on actual term loan balances as at December 31, 2012.

Note 2
Proceeds from term loans are determined based on the prior years' due to The City of Winnipeg – General Revenue Fund (line of credit) balance, with a rounding adjustment. Proceeds from term loans 2013 are $nil, as external financing was not required due to fleet acquisition delays during 2012 resulting from City department and Agency fleet replacement decisions, and vendor availability.

Note 3
Repayment of term loans 2013 is based on actual term loan agreement repayment schedules.

Note 4
Debt – The City of Winnipeg 2013 is based on the December 31, 2012 actual balance.

Debt and due to The City of Winnipeg – General Revenue Fund (line of credit) are lower than the Agency's established maximum debt limit, as follows:

DEBT THRESHOLD *(in thousands of dollars)*	**2014**	**2015**	**2016**
Established maximum debt limit (Note 1)	**65,300**	65,300	65,300
Debt and Due to The City of Winnipeg – General Revenue Fund (line of credit) (Note 2)	**(61,343)**	(65,264)	(61,793)
Debt Threshold (Note 3)	**3,957**	36	3,507

Note 1
Maximum debt was projected at $65.3 million in the Agency's 2010 Adopted Business Plan (Selection Report), which established the maximum debt limit, based on total debt and due to/from The City of Winnipeg – General Revenue Fund (line of credit).

Note 2
See above Debt and Due to The City of Winnipeg – General Revenue Fund table.

Note 3
Debt threshold represents the amount of additional term loans and line of credit available to the Agency within the established maximum debt limit of $65.3 million.

Cumulative borrowing authority represents total annual borrowing authority net of total term loan draws, and is presented below:

CUMULATIVE BORROWING AUTHORITY *(in thousands of dollars)*	**2014**	**2015**	**2016**
Opening cumulative borrowing authority (Note 1)	**28,600**	20,000	14,800
Annual borrowing authority (Note 2)	**10,100**	10,800	10,400
Proceeds from term loans (Note 3)	**(18,700)**	(16,000)	(14,800)
Cumulative Borrowing Authority	**20,000**	14,800	10,400

Note 1
Opening cumulative borrowing authority 2014 is based on total annual borrowing authority approved by Council, as recommended in the Agency's Adopted Business Plans (Selection Reports) and The City's Adopted Operating Budgets, net of total actual term loan draws.

Note 2
Annual borrowing authority requirement is determined based on the table below titled Annual Borrowing Authority.

Note 3
Proceeds from term loans are determined based on the prior years' due to The City of Winnipeg – General Revenue Fund (line of credit) balance, with a rounding adjustment. See previous Debt and Due to/from The City of Winnipeg – General Revenue Fund table.

Annual long-term borrowing authority is recommended for Council approval in accordance with subsection 215 (4) of The City of Winnipeg Charter with respect to Special Service Units, and is determined as follows:

ANNUAL BORROWING AUTHORITY *(in thousands of dollars)*	**2014**	**2015**	**2016**
Opening cumulative borrowing authority (Note 1)	**28,600**	20,000	14,800
Proceeds from term loans (Note 2)	**(18,700)**	(16,000)	(14,800)
Due to The City of Winnipeg – General Revenue Fund (line of credit) (Note 3)	**(16,007)**	(14,788)	(6,910)
Debt threshold (Note 4)	**(3,957)**	(36)	(3,507)
Rounding adjustment	**(36)**	24	17
Annual Borrowing Authority	**(10,100)**	(10,800)	(10,400)

Note 1
Opening cumulative borrowing authority 2014 is based on total annual borrowing authority approved by Council as recommended in the Agency's Adopted Business Plans (Selection Reports) and The City's Adopted Operating Budgets, net of total actual term loan draws. See previous Cumulative Borrowing Authority table.

Note 2
Proceeds from term loans are estimated based on the prior years' Due to The City of Winnipeg – General Revenue Fund (line of credit) balance, with a rounding adjustment. See previous Debt and Due to The City of Winnipeg – General Revenue Fund table.

Note 3
Due to The City of Winnipeg – General Revenue Fund (line of credit) is disclosed in the Projected Statement of Financial Position in Appendix A – 1. The line of credit is included in the total cumulative borrowing authorization, as established in the Agency's 2006 Adopted Business Plan (Selection Report).

Note 4
Debt threshold represents the amount of additional term loans and line of credit available to the Agency within the established maximum debt limit of $65.3 million. See previous Debt Threshold table.

Non-Financial Assets

Tangible Capital Assets

Acquisition of tangible capital assets is presented in the Projected Statement of Cash Flows in Appendix A – 1, based on the following:

TANGIBLE CAPITAL ASSET ACQUISITIONS *(in thousands of dollars)*	**2014**	**2015**	**2016**
Fleet vehicle and equipment (Note 1)	**17,789**	20,939	18,402
Automatic Vehicle Location System (Note 2)	**1,500**	-	-
Building and other equipment (Note 3)	**2,370**	812	607
Total Tangible Capital Asset Acquisitions	**21,659**	21,751	19,009

Note 1
Fleet vehicle and equipment acquisitions are based on the Agency's fleet replacement plan as at June 27, 2012, and are subject to amendment due to Agency and City department decisions, and vendor availability.

Note 2
Automatic Vehicle Location System acquisition is estimated at $1,500 thousand for 2014, based on information determined in conjunction with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department, representing automatic vehicle location boxes including installation for 1,800 light and heavy vehicles and specialty equipment. See Appendix A – 2 for information on the Automatic Vehicle Location System.

Note 3
Building and other equipment acquisitions are estimated based on operational requirements and include building and leasehold improvements, shop equipment, office equipment, computer, power tools, and fuel equipment.

Projected 2014 fleet vehicle and equipment acquisitions are presented below by fleet classification:

FLEET ASSET ACQUISITIONS *(in thousands of dollars)*	**2014**
Agricultural equipment	**2,170**
Attachments	**1,285**
Cargo vans	**492**
Heavy duty trucks	**225**
Industrial equipment	**3,593**
Light duty trucks	**1,558**
Medium duty trucks	**1,841**
Passenger vans	**41**
Sedans	**1,519**
Specialty and fire equipment	**4,786**
Sport utility vehicles	**279**
Total Fleet Asset Acquisitions	**$17,789**

Tangible capital asset net book value is reduced by $4,490 thousand in 2016 for the projected sale of the Agency's Tecumseh property, with proceeds of sale estimated at equivalent to net book value, with $nil gain/loss on disposition.

Prepaid Expenses

Prepaid expenses are based on current agreements, with inflation thereafter.

Surplus

Accumulated Surplus

Accumulated surplus includes the following components:

- Total excess revenues over expenses beginning in fiscal 2010 with the adoption of Canadian Public Sector Accounting Standards.
- Retained earnings prior to fiscal 2010, comprised of total net income, net of total dividend transfers to The City of Winnipeg.
- A transfer of $11,035 thousand, the Agency's long-term debt due to The City of Winnipeg balance excluding funds specified for communications equipment as at January 1, 2008, as contributed surplus.

Debt/Worth

Debt/worth ratio is to be maintained at 4.1 or better for dividend eligibility, in accordance with the Agency's Adopted 2007 Business Plan (Selection Report), Operating Charter Section 5.10 Revision. Debt/worth ratio is determined as total liabilities divided by accumulated surplus, based on the Projected Statement of Financial Position in Appendix A – 1.

DEBT/WORTH	2014	2015	2016
Debt/Worth Ratio	**2.7**	2.7	2.4

Operational Statistics

Fleet Average Age by Category

Fleet average age is presented for light vehicles, and combined for heavy vehicles and specialty equipment.

FLEET AVERAGE AGE *(in years)*	2010	2011	2012
Light vehicles	3	3	4
Heavy vehicles and specialty equipment	6	7	7

Service Request

Service request rate is determined by unscheduled work order hours, divided by total work order hours including unscheduled hours and preventative maintenance hours.

SERVICE REQUEST	2010	2011	2012
Service request rate	83%	81%	84%

Service Level Statistics

Service level statistics are reported by service category on an annual basis.

SERVICE STATISTICS BY CATEGORY	2010	2011	2012
Bid opportunities	80	106	75
Fleet acquisitions (Note 1)	229	262	182
Insurance, license and registrations	1,680	1,739	1,768
Repair transactions	45,045	40,789	36,248
Parts transactions	47,460	49,305	40,846
Repair labour hours	58,014	61,579	64,685
Fuel transactions	114,198	114,320	112,144
Fuel litres provided to The City (Note 2)	6,942,028	7,350,212	7,396,241
Fuel litres provided to other public organizations	645,497	687,613	700,713
Total fuel litres provided	7,587,525	8,037,825	8,096,954
Motor pool rental days	67,194	67,678	74,472
Fleet dispositions	139	108	115
Fleet units managed (Note 3)	1,793	1,947	2,014

Note 1
2012 fleet acquisitions of 182 units were allocated as follows:

- 7 units - Assessment and Taxation Department
- 2 units - Community Services Department
- 16 units - Planning Property and Development Department
- 58 units - Public Works Department
- 32 units - Water and Waste Department
- 4 units - Winnipeg Fire Paramedic Service Department
- 1 unit - Winnipeg Fleet Management Agency
- 1 unit - Winnipeg Parking Authority – Special Operating Agency
- 61 units - Winnipeg Police Service Department

Note 2
The increase in City fuel consumption during 2011 reflects department flood program requirements, and expansion of the Winnipeg Police Service Department fleet.

Note 3
The increase in fleet units managed reflects expansion of the Winnipeg Police Service Department fleet, consolidation of the remaining Water and Waste Department's Plinguet units, conversion of a portion of external rentals to internal rentals and external long-term rentals to fleet leases, and fleet units awaiting disposal.

APPENDIX A – 1

2014 TO 2016 PROJECTED FINANCIAL STATEMENTS AND NOTES



Appendix 1 - 2014
Projected Statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Actual 2012	Budget 2013	Forecast 2013	Variance 2013	**2014**	2015	2016
FINANCIAL ASSETS							
Accounts receivable	$ 120	$ 125	$ 123	$ (2)	**$ 125**	$ 127	$ 130
Due from The City of Winnipeg - General Revenue Fund (Note 3)	1,194	-	-	-	**-**	-	-
	1,314	125	123	(2)	**125**	127	130
LIABILITIES							
Due to The City of Winnipeg - General Revenue Fund (Note 3)	-	15,493	18,692	3,199	**16,007**	14,788	6,910
Accounts payable and accrued liabilities	1,371	1,165	1,398	233	**1,425**	1,454	1,483
Debt (Note 4)	47,251	43,447	37,032	(6,415)	**45,336**	50,476	54,883
Accrued employee benefits (Note 5a)	1,401	1,441	1,348	(93)	**1,374**	1,401	1,429
	50,023	61,546	58,470	(3,076)	**64,142**	68,119	64,705
NET FINANCIAL LIABILITIES	(48,709)	(61,421)	(58,347)	3,074	**(64,017)**	(67,992)	(64,575)
NON-FINANCIAL ASSETS							
Tangible capital assets (Note 6)	70,165	83,728	79,628	(4,100)	**85,442**	91,029	89,429
Inventories	1,696	1,277	1,729	452	**1,763**	1,799	1,834
Prepaid expenses	535	452	453	1	**475**	484	494
	72,396	85,457	81,810	(3,647)	**87,680**	93,312	91,757
ACCUMULATED SURPLUS	$ 23,687	$ 24,036	$ 23,463	$ (573)	**$ 23,663**	$ 25,320	$ 27,182

See accompanying notes and schedules to the projected financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)

	Actual 2012	Budget 2013	Forecast 2013	Variance 2013	**2014**	2015	2016
REVENUES							
Fleet leases	$ 25,316	$ 28,403	$ 28,057	$ (346)	**$ 29,707**	$ 30,324	$ 31,389
Fuel sales	8,789	9,150	8,964	(186)	**9,144**	9,327	9,513
Services and parts revenue (Schedule 1)	7,459	7,389	7,766	377	**7,921**	8,079	8,241
Rental income	2,511	2,641	2,561	(80)	**2,612**	2,665	2,718
Gain on sale of tangible capital assets	432	100	100	-	**100**	100	100
Total Revenues	44,507	47,683	47,448	(235)	**49,484**	50,495	51,961
EXPENSES							
Amortization	13,192	14,634	14,472	(162)	**15,845**	16,164	16,119
Supplies	10,860	11,216	11,394	178	**11,620**	11,850	12,085
Salaries and employee benefits	8,432	9,747	9,899	152	**10,034**	10,218	10,382
Services	6,558	6,865	6,442	(423)	**6,540**	6,544	6,675
Interest (Notes 3 and 4)	1,968	2,046	1,672	(374)	**2,153**	2,713	3,081
Other	504	982	1,043	61	**1,342**	1,349	1,757
Total Expenses	41,514	45,490	44,922	(568)	**47,534**	48,838	50,099
Excess Revenues Over Expenses Before Transfer to The City of Winnipeg - Dividend	2,993	2,193	2,526	333	**1,950**	1,657	1,862
Transfer to The City of Winnipeg - dividend	-	-	(2,750)	(2,750)	**(1,750)**	-	-
Excess Revenues (Deficiency) Over Expenses	2,993	2,193	(224)	(2,417)	**200**	1,657	1,862
ACCUMULATED SURPLUS, BEGINNING OF YEAR	20,694	21,843	23,687	1,844	**23,463**	23,663	25,320
ACCUMULATED SURPLUS, END OF YEAR	$ 23,687	$ 24,036	$ 23,463	$ (573)	**$ 23,663**	$ 25,320	$ 27,182

See accompanying notes and schedules to the projected financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

	Actual 2012	Budget 2013	Forecast 2013	Variance 2013	**2014**	2015	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:							
OPERATING							
Excess (Deficiency) Revenues Over Expenses	$ 2,993	$ 2,193	$ (224)	$ (2,417)	**$ 200**	$ 1,657	$ 1,862
Non-cash charges to operations							
Amortization	13,192	14,634	14,472	(162)	**15,845**	16,164	16,119
Gain on sale of tangible capital assets	(432)	(100)	(100)	-	**(100)**	(100)	(100)
Retirement allowance and compensated absences	-	23	16	(7)	**14**	15	16
Write down of environmental liability	(30)	-	-	-	**-**	-	-
Write down of other liabilities	(2)	-	-	-	**-**	-	-
Accretion expense	2	-	-	-	**-**	-	-
	15,723	16,750	14,164	(2,586)	**15,959**	17,736	17,897
Net change in non-cash working capital related to operations	540	626	4	(622)	**(20)**	(6)	(7)
Cash provided by operating activities	16,263	17,376	14,168	(3,208)	**15,939**	17,730	17,890
CAPITAL							
Acquisition of tangible capital assets	(6,577)	(22,472)	(23,935)	(1,463)	**(21,659)**	(21,751)	(19,009)
Proceeds on disposal of tangible capital assets	708	100	100	-	**100**	100	4,590
Cash used in capital activities	(5,869)	(22,372)	(23,835)	(1,463)	**(21,559)**	(21,651)	(14,419)
FINANCING							
Change in due to/from The City of Winnipeg - General Revenue Fund	(8,815)	8,800	19,886	11,086	**(2,685)**	(1,219)	(7,878)
Proceeds from term loans	9,000	6,700	-	(6,700)	**18,700**	16,000	14,800
Repayment of term loans	(10,405)	(10,504)	(10,219)	285	**(10,396)**	(10,860)	(10,393)
Repayment of debt - The City of Winnipeg	(174)	-	-	-	**-**	-	-
Cash provided by financing activities	(10,394)	4,996	9,667	4,671	**5,619**	3,921	(3,471)
CASH, END OF YEAR	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -

See accompanying notes and schedules to the projected financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31
(in thousands of dollars)

	Actual 2012	Budget 2013	Forecast 2013	Variance 2013	**2014**	2015	2016
EXCESS REVENUES (DEFICIENCY) OVER EXPENSES	$ 2,993	$ 2,193	$ (224)	$ (2,417)	**$ 200**	$ 1,657	$ 1,862
Amortization of tangible capital assets	13,192	14,634	14,472	(162)	**15,845**	16,164	16,119
Proceeds on disposal of tangible capital assets	708	100	100	-	**100**	100	4,590
Gain on sale of tangible capital assets	(432)	(100)	(100)	-	**(100)**	(100)	(100)
Change in inventories and prepaid expenses	246	588	49	(539)	**(56)**	(45)	(45)
Acquisition of tangible capital assets	(6,577)	(22,472)	(23,935)	(1,463)	**(21,659)**	(21,751)	(19,009)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	10,130	(5,057)	(9,638)	(4,581)	**(5,670)**	(3,975)	3,417
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(58,839)	(56,364)	(48,709)	7,655	**(58,347)**	(64,017)	(67,992)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (48,709)	$ (61,421)	$ (58,347)	$ 3,074	**$ (64,017)**	$ (67,992)	$ (64,575)

See accompanying notes and schedules to the projected financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

For the three years ending December 31, 2016
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public organizations in support of their service delivery.

2. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

2. Significant Accounting Policies (continued)

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

f) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. Due to/from The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

4. Debt

	Forecast 2013	2014	2015	2016
Term loans	$ 36,854	**$ 45,158**	$ 50,298	$ 54,705
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178
	$ 37,032	**$ 45,336**	$ 50,476	$ 54,883

5. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	Forecast 2013	2014	2015	2016
Retirement allowance and compensated absences	$ 759	**$ 773**	$ 788	$ 804
Vacation	589	**601**	613	625
	$ 1,348	**$ 1,374**	$ 1,401	$ 1,429

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.6 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments.

6. Tangible Capital Assets

	Net Book Value			
	Forecast 2013	2014	2015	2016
Land	$ 390	**$ 390**	$ 390	$ -
Buildings	3,968	**4,482**	4,249	-
Fleet assets	70,344	**74,702**	80,510	83,724
Equipment	4,926	**5,868**	5,880	5,705
	$ 79,628	**$ 85,442**	$ 91,029	$ 89,429

7. Related Party Transactions

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

	Forecast 2013	2014	2015	2016
a) Sales of goods and services to The City of Winnipeg	$ 45,470	**$ 47,468**	$ 48,441	$ 49,868
b) Dividend transfer to The City of Winnipeg	$ 2,750	**$ 1,750**	$ -	$ -
c) Municipal Accommodations Fund:				
Lease of repair facility and office	$ 484	**$ 594**	$ 594	$ 594
Call answer service	$ 5	**$ 5**	$ 5	$ 5
d) Public Works Department:				
Operator training service	$ 675	**$ 689**	703	$ 717
e) Corporate Support Services Department:				
Business technology services	$ 77	**$ 78**	$ 78	$ 78
Human resource services	$ 94	**$ 94**	$ 94	$ 96
f) Corporate Finance Department:				
Transfer where no goods or services received directly in return;				
Productivity gain for server consolidation	$ 14	**$ 14**	$ 14	$ 14
Productivity gain for timekeeping	$ 41	**$ 41**	$ 41	$ 41
Price reduction on products not purchased	$ 8	**$ 8**	$ 8	$ 8

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE 1 - PROJECTED SCHEDULE OF SERVICES AND PARTS REVENUE

For the years ended December 31 (in thousands of dollars)

	Actual 2012	Budget 2013	Forecast 2013	Variance 2013	**2014**	2015	2016
Consumables and corrective maintenance	$ 3,770	$ 3,708	$ 4,015	$ 307	**$ 4,096**	$ 4,178	$ 4,261
Insurance revenue	1,698	1,838	1,732	(106)	**1,766**	1,802	1,838
Power tools	742	757	757	-	**772**	787	803
Autopac rebate	454	397	464	67	**473**	482	492
Manufacturing sales	376	311	448	137	**457**	466	476
Other	269	224	197	(27)	**201**	205	209
Provincial support grant	150	154	153	(1)	**156**	159	162
	$ 7,459	$ 7,389	$ 7,766	$ 377	**$ 7,921**	$ 8,079	$ 8,241

APPENDIX A – 2

AUTOMATIC VEHICLE LOCATION SYSTEM



Appendix 2 -
Automatic Vehicle Loc

PROJECT REPORT

Automatic Vehicle Location (AVL) System

RECOMMENDATIONS

1. Funding associated with the Automatic Vehicle Location System - Phase 1 be will be charged through Public Works and Water & Waste existing accounts for the trial and test of short listed suppliers.
2. The Automatic Vehicle Location System - Phase 2 will be acquired by the Winnipeg Fleet Management Agency in collaboration with the Public Works Department, Corporate Support Services Department, Water and Waste Department, and Winnipeg Fire Paramedic Service Department, for the fleet-wide implementation of the selected system.

REASON FOR THE REPORT

The City of Winnipeg, through a joint effort between the Winnipeg Fleet Management Agency (WFMA), Public Works (PW), Water and Waste (WW), Winnipeg Fire and Paramedic Services (WFPS) and Corporate Support Services (CSS) is pursuing the deployment of an Automatic Vehicle Location system to allow participating departments to better manage their resources and improve on operation efficiencies.

The purpose of the system is to better manage the utilization and resources of each vehicle for increased efficiency through user definable reporting and feedback from the system. The system has a data reporting rate ranging from real-time to once per day or upon the occurrence of predefined events. The system will be able to interface with vehicle mounted controllers to derive information such as material being used, dry material application rate, wet material application rate, spinner mode, pause status, blast status, error event status, controller status, etc.

This project will be launched in two phases; Phase1 is the trial and testing of systems from short listed vendors. The trial duration is estimated to be between 3 to 6 months with up to 20 vehicles from each participating department. Phase 2 of the project will be the installation and deployment of the most advantageous Automatic Vehicle Location system awarded from Phase 1 into all appropriate Winnipeg Fleet Management Agency vehicles.

Currently, a review and evaluation of proposals from 13 bidders received from Bid-Opportunity 945-2012 is underway.

IMPLICATIONS OF THE RECOMMENDATIONS

<u>Phase 1: Trial & Test</u>

It is intended that 4 to 5 vendors will be selected for this phase of the project. Each vendor is to supply 20 Automatic Vehicle Location units for the trial. The trial will be monitored by Winnipeg Fleet

Management Agency (WFMA), Public Works (PW), Water and Waste (WW), Winnipeg Fire and Paramedic Services (WFPS) and Corporate Support Services (CSS). The trial duration is estimated to be between 3 to 6 months. This will allow capturing of data over various weather conditions as well as a variety of equipment usage. The procurement and installation costs for Phase 1 will be funded by Public Works and Water & Waste departments.

Phase 1: Financial

The estimated cost provided by Corporate Support Services for Phase 1 – Trial & Test of the Automatic Vehicle Location System is based on 4 to 5 short listed vendors:

- $100,000.00 (includes hardware, software, installation & removal)
- To be funded by Public Work's and Water & Waste existing accounts

Phase 2: Implementation

It is intended that after the completion of Phase 1 and upon evaluation, the City will determine the system that best meets its needs and will award the contract based on the results. This phase of the project will be the deployment and installation of the selected Automatic Vehicle Location system into all appropriate Winnipeg Fleet Management Agency vehicles. The implementation campaign is estimated to take place over a 2 year period with a total of approximately 1800 vehicles.

Phase 2: Financial

The estimated Capital cost of $1.5M for Phase 2 implementation will be funded through Winnipeg Fleet Management Agency for purchase and installation on approximately 1800 vehicles. The approximate cost of $1.5M is based on evaluation of bids received through Bid Opportunity 945-2012 and an accurate dollar amount will not be known until the Automatic Vehicle Location system that best meets the City of Winnipeg's needs is awarded at the end of the Trial & Testing phase. The Winnipeg Fleet Management Agency will charge back the purchase cost and installation cost to the departments participating in the Automatic Vehicle Location project. Department specific monitoring costs of the Automatic Vehicle Location system will be the responsibility of each individual department.

HISTORY

1. Green Fleet Plan:

On July 21, 2010 (minute No. 572**)** City Council approved a Green Fleet Plan aimed at reducing fleet related greenhouse gas emissions by 17.65% from 1998 levels by 2019. This reduction in the corporate vehicle fleet emissions is estimated to result in a 4.87% reduction in the City's overall corporate greenhouse gas inventory.

With the adoption of an Automatic Vehicle Location system, the Winnipeg Fleet Management Agency will be able to implement item #5 a) of the City of Winnipeg's Green Fleet Plan by enforcing, through a joint effort with the departments, an idle reduction policy that limits the amount of time a City vehicle or piece of equipment can idle, with an aim to reduce fleet idling by 50% by 2019. It is anticipated that with the idle reduction policy that the City will be able to achieve annual fuel savings of 3% and reduce the City's greenhouse gas emissions by 2,205 tonnes per year by 2017.

Currently the Winnipeg Fleet Management Agency does not have a means of monitoring engine idle time within the City's fleet. It is anticipated that engine idle time accounts for 30% of the City's annual fuel use, and offers the largest potential area for savings. The Automatic Vehicle Location system will allow the collection of data that will be used to identify idling time.

2. Standardization:

Within the City there are various Global Positioning System/ Automatic Vehicle Location systems that are in place departmentally, with varying degrees of success. With the trial, testing and subsequent installation of a new Automatic Vehicle Location system, a potential exists to have one standardized system. By adopting one standard it allows for more efficient use of resources and reduced cost to the City. In addition, if other departments decide to implement Automatic Vehicle Location units in the future, the installation and maintenance processes can be completed with minimal difficulties. Other benefits would be reduced spare parts, stocking resources, training and maintenance costs with a standard system.

3. Utilization Plan:

The Winnipeg Fleet Management Agency will be utilizing the data collected by the Automatic Vehicle Location system in order to monitor unit idle information, engine meter readings, and unit down time at maintenance facilities. The future goal will be to use this information to improve the preventative maintenance schedules of units as accurate meter information will be received. The Winnipeg Fleet Management Agency will also explore an optional feature that allows the Automatic Vehicle Location system to connect with on-board vehicle diagnostic equipment to assist in troubleshooting, repair and maintenance of vehicles. The system also provides a means for asset based tracking and locating of equipment to aid in loss prevention of City equipment.

Public Works and Water & Waste will be the largest users of the Automatic Vehicle Location system and will use it to improve route mapping, incident reporting when auxiliary equipment is used such as sander spreaders, insecticide sprayers and unit tracking for water main breaks etc. In addition the Automatic Vehicle Location system through onboard telemetry will enhance accident reporting and will be able to alert monitoring staff of emergency situations such as in case of a vehicle accident, where the driver can be contacted and emergency crews can be dispatched to the exact location. These features will also enhance driver/operator safety during work-alone activities and provide for improved asset management.

Winnipeg Fire Paramedic Service will use the near real time Global Positioning System functionality of the system to improve response times by dispatching the nearest available vehicle to the scene. While future potential benefits of the system would be through synchronizing the Automatic Vehicle Location system with emergency response units to traffic light systems that would allow for "always green" traffic lights which would further improve response times.

4. Benefits / System Features:

Currently, there are numerous Automatic Vehicle Location systems in use by other public and private agencies. Most have reported positive improvements to operational efficiencies and enhanced resource management. With the implementation of an Automatic Vehicle Location system within the City's fleet, the City may also see similar benefits.

Some of these have been noted above. Other benefits and features of the system include:

- Near real time vehicle data on:
    - Geographical location
    - Vehicle speed & direction of movement
    - Engine status (start / on / off)
    - Monitored sensor status (plow up/down, sweeper broom on/off, etc)
- Ability to identify the vehicle and operator of the vehicle through an optional "Driver Identification" Module.
- Graphical display of vehicle location on a map with the ability to "zoom in & out" to identify the closest vehicle response team.
- User defined alerts/reports on vehicles exceeding speed limits, hard starts/stops.
- Predefined boundaries or "geozones" and collection of data reporting on vehicle entering, exiting, time within zones.
- Mobile device connectivity to the Automatic Vehicle Location system monitoring software.
- Vehicle data can be utilized for timely response to emergencies.
- Improved resource management by analyzing past activities to increase efficiency.
- Reduced time associated with route planning thereby reducing fuel usage and idling during travel.
- A potential exists to provide near real time information to 311 or on the City website of City equipment performing insect control, traffic equipment repairs, water-main repairs.

5. Operational Savings (including safety benefits):

More tangible benefits of the Automatic Vehicle Location system and its ability to provide vehicle and equipment data can be realized during fleet operations. The data collected by the system can be analyzed to determine the best approach in summer and winter deployment of resources. These include:

- Reduced material costs with more efficient application strategies regarding salt and sand in winter months.
- Lower fuel and maintenance costs by deploying the most appropriate equipment for weather conditions, road conditions or site requirements.
- More accurate reporting of fuel usage, distances traveled, odometer and idle time to optimize fleet utilization.

In addition to the operational savings above, a greater benefit of the system will be seen in assisting with driver/operator safety. Some examples of these are:

- Accident reduction due to more efficient snow removal and sanding.
- Faster response to emergencies due to emergency vehicle route planning based on plowed status of roadways.
- Ability to have accurate records and vehicle location history prior to accidents which would be used to assist in accident investigations.
- Potential exists to realize reduced legal costs from claims allegedly involving City vehicles.

6. Support of "Our Winnipeg" Initiatives:

By adopting the Automatic Vehicle Location System, the City will be able to achieve certain milestones in support of sustainability initiatives called for in the "Our Winnipeg" plan. In particular, the Automatic Vehicle Location system would fall under the category of:

a) 01-1b Key Directions For Connecting And Expanding Our Sustainable Transportation And Infrastructure Networks (Pg. 32). Achieving goals related to:

- Create safe, efficient and equitable transportation system for people, goods and services
- Create transportation system that supports active, accessible and healthy lifestyle options
- Provide transportation infrastructure that is well maintained

b) 02-2 Environment (Pg. 68). The Automatic Vehicle Location System will be able to provide data allowing more appropriate processes and/or equipment to be deployed that would help in reducing fuel usage thereby reducing harmful greenhouse gas emissions. In doing so, the City would achieve goals identified as:

- Reduce the environmental impact of our activities, through strategies such as planning for sustainable energy use and greenhouse gas reduction.
  Provide safe and effective pest and weed control in City operations.

CONSULTATION

In preparing this report there was consultation with:

Public Works Department, Information Systems & Technology Corporate Support Services, Project Management Office Corporate Support Services, Communication Systems
Water and Waste Department, Information Systems & Technology
Fire Paramedic Service, Information Systems & Technology

SUBMITTED BY

Department: Winnipeg Fleet Management Agency
Prepared by: Charlie Cong,
Project Coordinator WFMA
Date: June 26, 2013

APPENDIX A – 3

2012 AUDITORS' REPORT AND FINANCIAL STATEMENTS



Auditors' Report &
Statements

Financial Statements of

THE CITY OF WINNIPEG - FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Year ended December 31, 2012

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of City Council of The City of Winnipeg

We have audited the accompanying financial statements of The City of Winnipeg - Fleet Management - Special Operating Agency, which comprise the statement of financial position as at December 31, 2012 and the statements of operations and accumulated surplus, cash flows and change in net financial assets (liabilities) for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The City of Winnipeg - Fleet Management - Special Operating Agency as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 4, 2013

Winnipeg, Canada

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2012	2011
FINANCIAL ASSETS		
Accounts receivable	**$ 120**	$ 121
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**1,194**	-
	1,314	121
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**-**	7,621
Accounts payable and accrued liabilities	**1,371**	1,067
Debt (Note 4)	**47,251**	48,830
Other liabilities (Note 5)	**-**	83
Accrued employee benefits (Note 6a)	**1,401**	1,359
	50,023	58,960
NET FINANCIAL LIABILITIES	**(48,709)**	(58,839)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**70,165**	77,056
Inventories	**1,696**	1,841
Prepaid expenses	**535**	636
	72,396	79,533
ACCUMULATED SURPLUS	**$ 23,687**	$ 20,694

Commitments (Note 8)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
REVENUES			
Fleet leases	**$ 26,990**	**$ 25,316**	$ 24,153
Fuel sales	**7,089**	**8,789**	8,734
Services and parts revenue (Schedule 1)	**7,289**	**7,459**	7,664
Rental income	**2,857**	**2,511**	2,539
Gain on sale of tangible capital assets	**100**	**432**	532
Total Revenues	**44,325**	**44,507**	43,622
EXPENSES			
Amortization	**13,709**	**13,192**	12,239
Supplies	**9,777**	**10,860**	10,516
Salaries and employee benefits	**8,890**	**8,432**	8,201
Services	**7,514**	**6,558**	6,976
Interest (Notes 3 and 4)	**2,255**	**1,968**	2,087
Other	**906**	**504**	236
Total Expenses	**43,051**	**41,514**	40,255
Excess Revenues Over Expenses	**$ 1,274**	**2,993**	3,367
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**20,694**	17,327
ACCUMULATED SURPLUS, END OF YEAR		**$ 23,687**	$ 20,694

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 2,993**	$ 3,367
Non-cash charges to operations		
Amortization	**13,192**	12,239
Gain on sale of tangible capital assets	**(432)**	(532)
Retirement allowance and compensated absences	**-**	58
Write down of environmental liability	**(30)**	(390)
Write down of other liabilities	**(2)**	-
Accretion expense	**2**	4
	15,723	14,746
Net change in non-cash working capital balances related to operations	**540**	(114)
Cash provided by operating activities	**16,263**	14,632
CAPITAL		
Acquisition of tangible capital assets	**(6,577)**	(15,670)
Proceeds on disposal of tangible capital assets	**708**	875
Cash used in capital activities	**(5,869)**	(14,795)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(8,815)**	(1,171)
Proceeds from term loans	**9,000**	10,000
Repayment of term loans	**(10,405)**	(8,666)
Repayment of debt - The City of Winnipeg	**(174)**	-
Cash provided by financing activities	**(10,394)**	163
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31
(in thousands of dollars)

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
EXCESS REVENUES OVER EXPENSES	**$ 1,274**	**$ 2,993**	$ 3,367
Amortization of tangible capital assets	**13,709**	**13,192**	12,239
Proceeds on disposal of tangible capital assets	**100**	**708**	875
Gain on sale of tangible capital assets	**(100)**	**(432)**	(532)
Change in inventories and prepaid expenses	**261**	**246**	(22)
Acquisition of tangible capital assets	**(15,840)**	**(6,577)**	(15,670)
DECREASE (INCREASE) IN NET FINANCIAL LIABILITIES	**(596)**	**10,130**	257
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(61,008)**	**(58,839)**	(59,096)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (61,604)**	**$ (48,709)**	$ (58,839)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other pubic organizations, in support of their service delivery.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. Significant Accounting Policies (continued)

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

f) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. Due from/to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $22 thousand (2011 - $71 thousand). Interest received from The City of Winnipeg - General Revenue Fund was $12 thousand (2011 - $nil).

4. Debt

Lender	Maturity Date	Interest Rate	2012	2011
Royal Bank of Canada (Note 4b)	2013 - 2019	4.53% - 5.20%	**$ 14,438**	$ 17,476
The Toronto-Dominion Bank (Note 4b)	2013 - 2021	2.17% - 4.14%	**32,635**	31,002
			47,073	48,478
The City of Winnipeg - non-interest bearing, no repayment schedule (Note 9e)			**178**	352
			$ 47,251	$ 48,830

a) Principal repayments due within the next five years and thereafter are as follows:

2013	$ 10,397
2014	9,600
2015	8,513
2016	6,569
2017	5,311
Thereafter	6,861
	$ 47,251

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2012, $47,073 thousand (2011 - $48,478 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2012 was 4.1% (2011 - 4.2%).

c) Cash paid for interest during the year is $1,956 thousand (2011 - $2,081 thousand).

5. Other Liabilities

a) Environmental liability

During the year, the Agency decommissioned its underground waste oil storage tank site. The environmental liability associated with the decommissioned waste oil storage tank site property is $nil (2011 - $30 thousand) and an amount of $30 thousand realized from the reduction of the liability was recognized during the year.

b) Other liabilities

During the year, the Agency decommissioned two petroleum tank systems. Other liabilities associated with the Agency's petroleum storage tank systems is $nil (2011 - $53 thousand) and an amount of $2 thousand realized from the reduction of the liability was recognized during the year.

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2012	2011
Vacation	**$ 658**	$ 578
Retirement allowance - accrued liability	**623**	670
Compensated absences	**120**	111
	$ 1,401	$ 1,359

6. Accrued Employee Benefits (continued)

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.6 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2011. The results of this valuation were extrapolated to December 31, 2012.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2012		2011	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 864**	**$ 216**	$ 668	$ 94
Current service cost	**51**	**15**	35	205
Interest cost	**31**	**8**	26	4
Benefit payments	**(146)**	**(22)**	(20)	(196)
Amortization of net actuarial loss	**40**	**-**	155	109
Balance, end of year	**840**	**217**	864	216
Unamortized net actuarial loss	**(217)**	**(97)**	(194)	(105)
Accrued benefit liability	**$ 623**	**$ 120**	$ 670	$ 111
Benefit expense consists of the following:				
Current service cost	**$ 51**	**$ 15**	$ 35	$ 205
Interest cost	**31**	**8**	26	4
Amortization of net actuarial loss	**17**	**8**	4	-
	$ 99	**$ 31**	$ 65	$ 209
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 670**	**$ 111**	$ 625	$ 98
Benefits expense	**99**	**31**	65	209
Benefits payments	**(146)**	**(22)**	(20)	(196)
Balance, end of year	**$ 623**	**$ 120**	$ 670	$ 111

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

	2012	2011
Valuation interest rate	**3.6%**	3.6%
General increases in pay	**3.5%**	3.5%

6. Accrued Employee Benefits (continued)

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $619 thousand (2011 - $558 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2012	2011
Land	**$ 390**	$ 390
Buildings	**2,549**	2,708
Fleet assets	**63,347**	70,360
Equipment	**3,879**	3,598
	$ 70,165	$ 77,056

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets not yet in service is $2,650 thousand (2011 - $4,163 thousand), and equipment not yet in service is $25 thousand (2011 - $19 thousand).

Fleet assets written off during the year is $nil (2011 - $nil). Interest capitalized during 2012 is $nil (2011 - $nil).

8. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum annual lease payments are as follows:

	Operating Leases
2013	$ 191
2014	191
	$ 382

9. Related Party Transactions

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $42,724 thousand (2011 - $40,970 thousand) to The City of Winnipeg.

b) An amount of $885 thousand (2011 - $804 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $232 thousand (2011 - $274 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.

d) An amount of $2 thousand (2011 - $4 thousand) has been transferred to the Parking Services Agency for miscellaneous services.

e) Transfer to the General Revenue Fund for repayment of The City of Winnipeg debt is $174 thousand (2011 - $nil).

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF SERVICES AND PARTS REVENUE

For the years ended December 31
(in thousands of dollars)

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Consumables and corrective maintenance	**$ 3,855**	**$ 3,770**	$ 3,564
Insurance revenue	**1,746**	**1,698**	1,755
Power tools	**742**	**742**	727
Autopac rebate	**453**	**454**	381
Manufacturing sales	**169**	**376**	300
Other	**168**	**269**	789
Provincial support grant	**156**	**150**	148
	$ 7,289	**$ 7,459**	$ 7,664

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Buildings	Fleet Assets	Equipment	Total 2012	Total 2011
Cost						
Balance, beginning of year	**$ 390**	**$ 3,703**	**$ 120,912**	**$ 6,167**	**$ 131,172**	$ 118,254
Add:						
Additions during the year	**-**	**7**	**5,862**	**708**	**6,577**	15,670
Less:						
Disposals during the year	**-**	**-**	**(2,368)**	**(225)**	**(2,593)**	(2,752)
Balance, end of year	**390**	**3,710**	**124,406**	**6,650**	**135,156**	131,172
Accumulated amortization						
Balance, beginning of year	**-**	**995**	**50,552**	**2,569**	**54,116**	44,286
Add:						
Amortization	**-**	**166**	**12,600**	**426**	**13,192**	12,239
Less:						
Accumulated amortization on disposals	**-**	**-**	**(2,093)**	**(224)**	**(2,317)**	(2,409)
Balance, end of year	**-**	**1,161**	**61,059**	**2,771**	**64,991**	54,116
Net Book Value of Tangible Capital Assets	**$ 390**	**$ 2,549**	**$ 63,347**	**$ 3,879**	**$ 70,165**	$ 77,056